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**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON**

In Re:

EASTERDAY RANCHES, INC.

Debtor¹.

Case No. 21-00141-WLH11

**OBJECTION OF:
Pegram Construction, LLC**

**TO:
SECOND AMENDED
DISCLOSURE STATEMENT FOR
THE SECOND AMENDED JOINT
CHAPTER 11 PLAN OF
LIQUIDATION OF EASTERDAY
RANCHES, INC. AND
EASTERDAY FARMS**

¹ The Debtors along with their case numbers are as follows: Easterday Ranches, In. (21-00141-WLH11) and Easterday Farms, a Washington general partnership (21-00176-WLH11).

OBJECTION -1

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COMES NOW Pegram Construction, LLC ("Pegram") by and through its counsel, Stephen J. Felice, and submits this Objection to the Disclosure Statement for the Second Amended Joint Chapter 11 Plan of Liquidation of Easterday Ranches, Inc. and Easterday Farms (Doc. 1283).

CLAIM DESCRIPTION

Pegram's Proof of Claim (Claim No. 29-1) filed in Easterday Ranches (21-00141-WLH11) totals \$123,984.00.

OBJECTIONS TO DISCLOSURE STATEMENT

Section 1125(b) requires that a disclosure statement contain adequate information. The term "adequate information" is defined in Section 1125(a)(1), and includes such information as is necessary for a hypothetical investor to make an informed judgment about a proposed plan of reorganization. In determining whether a disclosure statement provides adequate information, the Court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information. 11 U.S.C. § 1125(a)(1). In addition, LBR 3017-1(a) requires that a disclosure statement contain detailed information in twelve categories. Pegram objects to the Disclosure Statement as follows:

OBJECTION -2

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1. **Lack of Adequate Information Regarding Treatment of Pegrams' Claim.**

1.1 The Disclosure Statement describes the treatment for Pegrams' Class I "Other Secured Claims":

The legal, equitable, and contractual rights of Holders of Allowed Class 1 Claims are unaltered by the Plan and the Liens of the Holders of Allowed Class 1 Claims will continue to attach to their respective Collateral, provided that all such Claims shall remain subject to any and all defenses, counterclaims, and setoff or recoupment rights with respect thereto. Unless the Liquidation Trustee and the Holder of an Allowed Class 1 Claim agree to other treatment, on or as soon as is reasonably practicable after the Effective Date, each Holder of an Allowed Class 1 Claim shall receive, at the option of the Liquidation Trustee: (i) Cash from the Liquidation Trust in the Allowed amount of such Holder's Allowed Class 1 Claim; or (ii) the return of the Collateral securing such Allowed Class 1 Claim, without representation or warranty by any Person (and without recourse against any Person regarding such Other Secured Claim); or (iii) (A) the cure of any default, other than a default of the kind specified in Bankruptcy Code section 365(b)(2), that Bankruptcy Code section 1124(2) requires to be cured, with respect to such Holder's Allowed Class 1 Claim, without recognition of any default rate of interest or similar penalty or charge, and upon such cure, no default shall exist; (B) the reinstatement of the maturity of such Allowed Class 1 Claim as the maturity existed before any default, without recognition of any default rate of interest or similar penalty or charge; and (C) retention of its unaltered legal, equitable, and contractual rights with respect to such Allowed Class 1 Claim, including through the retention of any associated Lien on the Collateral securing such Allowed Class 1 Claim.

(Second Amended Disclosure Statement, p. 64) (76 of 146)

OBJECTION -3

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1 Pegram has not been provided with any backup information which
2 supports assumptions set forth in the Waterfall Analysis in the Disclosure Statement
3 and proposed Plan.

4 Pegram has not been advised that their claim is provided for in "Class I:
5 Other Secured Claims." Pegram has not been provided with any information as to
6 which other creditors are in this class or how the total claims of \$1,559,000 is
7 determined.

8
9 The Waterfall Analysis and Plan list other secured claims at a total of
10 \$1,599,000 and divides this between \$60,000 for mechanic/preparer liens with the
11 remainder identified as equipment liens. The Disclosure Statement and Plan may not
12 be adequate to pay Pegrams' mechanic/preparer liens claim and possibly other
13 mechanic/preparer liens claims. A plan is required to treat claimants equitably and
14 the Disclosure Statement does not provide sufficient information to determine if this is
15 being accomplished.

16 1.2 Any portion of Pegrams' claim which is not paid 100% in Class I
17 will become undersecured/unsecured claims in Class 6.
18

19 1.3 The Disclosure Statement describes the treatment for "Ranches
20 General Unsecured Claims" in Class 6 as follows:
21

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23 OBJECTION -4

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1 Class 6 consists of all Ranches General Unsecured Claims.
2 Class 6 is Impaired under the Plan. On or as soon as
3 practicable after the Effective Date, each Holder of an
4 Allowed Ranches General Unsecured Claim shall receive, as
5 the sole distribution or dividend by Ranches or its Estate
6 under the Plan on account of such Allowed Ranches General
7 Unsecured Claim, a Pro Rata share of the Class A
Liquidation Trust Interests in the Liquidation Trust
calculated as a percentage of all Allowed Ranches General
Unsecured Claims), which shall entitle such Holder to the
treatment contemplated in the Plan Waterfall and a share of
any Net Distributable Assets consistent with the
immediately following paragraph.

8 The Plan Waterfall reflects that Holders of Ranches General
9 Unsecured Claims shall receive the first \$1.2 million of the
10 first \$4.2 million from any source available for distribution to
11 Classes 6, 7, and 8, the next \$3.0 million of such proceeds
12 shall be distributed Pro Rata to Holders of Tyson Claims and
13 Segale Claims, and except with respect to proceeds of any
14 claims against Cody Easterday (other than for proceeds of
the Basin City Property) and except with respect to any
proceeds of the North Lot Actions, the remainder of any Net
Distributable Assets shall be distributed Pro Rata to Holders
of Ranches General Unsecured Claims, Tyson Claims, and
Segale Claims.

15 Notwithstanding anything to the contrary herein, each
16 Holder of a Class 6 Claim shall be required to check a box on
17 its Ballot, or otherwise notify the Debtors or the Liquidation
18 Trust in writing, if such Holder agrees to affirmatively and
19 voluntarily assign, transfer, and convey any individual
20 Causes of Action of such Holder against the Easterday
21 Family and their Related Parties to the Liquidation Trust
22 (the "Assignment of Easterday Family Causes of Action").²⁷
The Debtors shall timely inform the Ranches Committee of
the results of the Assignment of Easterday Family Causes of
Action, including any defects or suspected mistakes therein.
The Debtors shall provide Holders of a Class 6 Claim with a
reasonable opportunity to cure any defects or mistakes or
otherwise notify the Debtors in writing of the Assignment of

23 OBJECTION -5

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1 Easterday Family Causes of Action (including a reasonable
2 time after the Voting Deadline). If a Holder of a Class 6
3 Claim does not check such box on its Ballot or otherwise
4 notify the Debtors or the Liquidation Trust in writing, the
5 distributions to such Holder of Ranches General Unsecured
6 Claims under the Plan shall be reduced to an amount equal
7 to [twenty percent (20%)] of such Holder's Allowed Class 6
8 Claim, regardless of whether Class 6 votes in favor of the

9 Debtors have failed to identify the creditors with allowed claims in Class
10 5 or Class 6 with allowed claim amounts preventing Pegram from determining who
11 they are associated with and the dollar amount of claims of creditors included in Class
12 5 and 6.

13 1.4 Debtors have set forth on the Waterfall Analysis their
14 assumptions but have failed to supply Pegram current financial information required
15 by LBR 3017-1(3) and a liquidation analysis required by LBR 3017-1(6).

16 1.5 Debtors' Waterfall Analysis at Page 8(d), Debtors assume that
17 Washington Trust Bank will have a net undersecured claim of approximately \$11.5M
18 which without explanation, they assume will be paid in full vs. Farms and Ranches
19 unsecured claimants receiving only a percentage of their unsecured claims. Creditors
20 are not given enough time to evaluate this deal.

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23 OBJECTION -6

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3. Conclusion.

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/s/ Stephen J. Felice

OBJECTION -7

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